

BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: April 20, 2005

Division: County Attorney

Bulk Item: Yes X No

Department: Risk Management

AGENDA ITEM WORDING: Approval to accept proposal from Marsh USA for Property Insurance package through Lexington Insurance Company and Landmark American Insurance Company at a premium of \$410,218. Marsh is continuing their efforts to obtain more favorably priced insurance from alternative insurer (primarily Westchester Insurance Company). It is also being requested that authority be granted to Risk Management to accept an alternative proposal from Marsh if it is believed to provide equal or superior coverage for a lower premium.

ITEM BACKGROUND: Provides replacement cost property insurance coverage for county buildings, contents, communication towers and contractors equipment with a current value of \$97,029,821.

PREVIOUS RELEVANT BOCC ACTION: Approval to bid this coverage at 11/19/03 Board Meeting.

CONTRACT/AGREEMENT CHANGES: This proposal results in a premium decrease of \$7,937. Boiler & Machinery coverage was added with a \$5,000,000 limit and is being treated as a one coverage.

STAFF RECOMMENDATIONS: Approval

TOTAL COST: \$410,218

BUDGETED: Yes x No

COST TO COUNTY: \$410,218

SOURCE OF FUNDS: primarily ad valorem

REVENUE PRODUCING: Yes No x **AMOUNT PER MONTH** **Year**

APPROVED BY: County Atty JA OMB/Purchasing Risk Management x

DIVISION DIRECTOR APPROVAL:

John R. Collins 04/01/05
JOHN R. COLLINS

DOCUMENTATION: Included x To Follow Not Required

DISPOSITION:

AGENDA ITEM #

MONROE COUNTY BOARD OF COUNTY COMMISSIONERS

CONTRACT SUMMARY

Contract with: Marsh USA, Inc.

Contract #

Effective Date: 5/1/05

Expiration Date: 5/1/06

Contract Purpose/Description:
Property Insurance Renewal

Contract Manager: Maria Slavik
(Name)

3178
(Ext.)

County Attorney #7
(Department/Stop #)

for BOCC meeting on 4-20-05

Agenda Deadline: 4-5-2005

CONTRACT COSTS

Total Dollar Value of Contract: \$ 410,218 Current Year Portion: \$

Budgeted? Yes ☒ No ☐

Account Codes: 503-08502-530-450-

Grant: \$ _____

County Match: \$

ADDITIONAL COSTS

Estimated Ongoing Costs: \$ _____ /yr

(Not included in dollar value above)

For:

(eg. maintenance, utilities, janitorial, salaries, etc.)

CONTRACT REVIEW

	Date In	Changes Needed	Reviewer	Date Out
Division Director	04/01/05	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	John Zoller	04/01/05
Risk Management	4-1-05	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	M. Slawick	4-1-05
O.M.B./Purchasing		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Sheila A. Barker	4-1-05
County Attorney	04/01/05	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	John Zoller	04/01/05

Comments: _____

INTERISK CORPORATION

Consultants

Risk Management
Employee Benefits

1111 North Westshore Boulevard
Suite 208
Tampa, FL 33607-4711
Phone (813) 287-1040
Facsimile (813) 287-1041

April 1, 2005

Ms. Maria Slavik
Risk Management Specialist
Monroe County
502 Whitehead St.
Key West, Florida 33040

Subject: Renewal of Property and Boiler/Machinery Insurance

Dear Maria:

The County's Property and Boiler/Machinery Insurance expires on May 1, 2005. The following table displays the structure of the current policies.

Coverage	Insurer	Limits	Premium
Primary Property	Lexington Ins. Co. Allied World Assurance Co.	\$5,000,000	Lexington - \$246,392 Allied - <u>\$105,596</u> Total - \$351,988
Excess Property	Landmark American Ins. Co.	\$91,979,821	\$60,000
Total Property		\$96,979,821	\$411,988
Boiler and Machinery	C.N.A. Insurance Co.	\$15,000,000	\$6,167
Total			\$418,155

Marsh USA, Inc. (the County's agent) has aggressively remarketed the County's program and has submitted what is believed to be an attractive renewal proposal for the 2005/06 policy year.

Marsh submitted the County's program to ten (10) different insurers to include:

- * Lexington Ins. Co.
- * Landmark American
- * Westchester Surplus Lines Ins. Co.
- * Essex Ins. Co.
- * Axis Ins. Co.
- * Arch Ins. Co.
- * Travelers Ins. Co.
- * Crum & Forster Ins. Group
- * Liberty Mutual Ins. Co.
- * C.N.A. Insurance Co.

It is believed that the insurers that Marsh approached represented the majority, if not all, of the companies that have the capability and desire to provide the coverages needed by the County. With the exception of Lexington, Landmark and Westchester, all of the insurers indicated that they were not interested in providing the County's Property Insurance, had limitations (such as not being able to provide the total limits of liability required) or indicated that their premiums would be significantly higher than the current premium. Westchester has indicated that they may be in a position to provide a competitive proposal, but could not do so until they complete a "Maximum Probable Loss" (MPL) study. It is anticipated that Westchester will provide a proposal sometime during the week of April 4th.

Lexington has agreed to provide the entire \$5 million of primary coverage which will eliminate the need of using Allied, thus reducing the burden required to administer the program. In addition, Lexington has agreed to provide the County's Boiler and Machinery (B&M) Insurance. Currently C.N.A. provides the B&M insurance with limits of \$15 million per occurrence, subject to a \$2,500 per claim deductible for all losses except those that occur at the Detention Center. If a B&M loss were to occur at the Detention Center, a \$5,000 deductible would apply.

B&M insurance is designed to reimburse the insured for losses that arise out of the mechanical breakdown of equipment designed to generate, transmit or utilize energy. It is highly unlikely that the County would ever experience a B&M loss that approaches \$15 million. While Lexington agreed to provide the County's B&M Insurance, they are only willing to offer per occurrence limits of \$5 million, subject to a per claim deductible of \$5,000 for all locations. Since the County has never suffered a B&M loss and the probability that they would ever experience one that would exceed \$5 million is extremely low, it is believed that the B&M coverage proposed by Lexington would adequately protect the interests of Monroe County.

Lexington also proposed terms and conditions for the upcoming year that are superior to the current program. Some of the more notable ones include:

- Increasing the Expediting Expense Coverage from \$25,000 to \$100,000
- Increasing the Extra Expense Coverage from \$25,000 to \$500,000
- Increasing the coverage for newly acquired property from \$500,000 to \$2,000,000
- Increasing the coverage for miscellaneous, unnamed locations from \$100,000 to \$2,000,000
- Increasing the Ordinance and Law coverage from \$1,000,000 to \$2,000,000
- Providing a separate limit of \$2,500,000 for damage to trees, shrubs and plants
- Reducing the deductible for Flood related losses from 5% of the value of the property damaged (subject to a \$1,000,000 minimum) to \$500,000 for buildings and \$500,000 for contents.

It should also be noted that the value of the County's property increased from \$96,979,821 to \$97,029,821.

Following displays the premiums proposed by Marsh:

Coverage	Insurer	Limits	Premium
Primary Property	Lexington Ins. Co.	\$5,000,000	\$352,000
Excess Property	Landmark American Ins. Co.	\$91,979,821	\$58,218
Total Property		\$96,979,821	\$410,218
Boiler and Machinery	Lexington Ins. Co.	\$5,000,000	Included in Lexington
Total			\$410,218

Marsh did obtain a renewal proposal for the County's Boiler and Machinery Insurance from C.N.A. with limits of \$15 million and deductibles consistent with the current policy. C.N.A.'s proposed premium for the renewal policy was \$6,250. With the limited exposure for B&M losses and the County's favorable loss experience, it is not believed that the additional premium is justified.

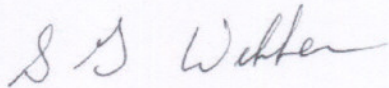
Overall it appears as if the County has received an extremely favorable renewal proposal from Marsh. While the level of protection for B&M losses has been reduced slightly, the enhancements to the County's

Property insurance that have been negotiated by Marsh produces an overall program that is believed to be superior to the 2004/05 program. In addition, the County will realize a savings of \$7,937 (2%) in the cost of its insurance. It is therefore recommended that Monroe County accepts Marsh's proposal for the renewal of its Property and B/M Insurance for the 2005/06 policy year. It is also recommended that Risk Management be given the authority to accept an alternative proposal from Marsh if they are able to obtain lower premiums for the same level of protection from Westchester Insurance Company or another qualified insurer.

As always, please do not hesitate to call if you have any questions.

Cordially,

INTERISK CORPORATION

A handwritten signature in cursive script, appearing to read "S G Webber".

Sidney G. Webber
CPCU, ARM